

DRAFT

PURCHASE AGREEMENT

BETWEEN

**SECRETARY OF
HOUSING AND URBAN DEVELOPMENT**

AND

[INSERT NAME OF LOCAL ENTITY]

Dated: _____

PURCHASE AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this ____ day of _____, 20____, between the **SECRETARY OF HOUSING AND URBAN DEVELOPMENT** (the Seller) and **[INSERT PURCHASER'S NAME]** _____ (the Purchaser).

RECITALS.

- 1) **Purchaser is a housing agency organized under the laws of the State of _____.**
- 2) Seller presently owns approximately ____ Single Family Properties within the Areas of Participation ("AOP"), not currently under a contract of sale and occupied by Disaster Housing Assistance Program (DHAP) tenants.
- 3) These HUD-owned properties have the potential to be a community asset, provided that the properties are rehabilitated, where necessary, and sold to homeowners. Therefore, Purchaser and Seller desire to enter into this Agreement whereby Seller will dispose of Single Family Properties to Purchaser who will create affordable homeownership opportunities for low and moderate income families and to revitalize neighborhoods by fighting deterioration and improving the housing stock.
- 4) To accomplish these objectives, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest in and to such properties which Seller currently owns.
- 5) Seller is authorized to enter into this Agreement pursuant to section 204(g) of the National Housing Act.
- 6) Purchaser is authorized to enter into this Agreement pursuant to **[insert the local law or other authorization that allows the Purchaser to enter into agreement, then state: A copy of this law is attached as Exhibit 1.]**

THEREFORE, in consideration of the agreements herein, and intending to be legally bound hereby, Seller and Purchaser agree as follows.

ARTICLE I

DEFINITIONS

Whenever used in this Agreement and capitalized, the following terms shall have the meanings set forth in this Article I and shall include the plural as well as the singular, unless otherwise defined herein or the context otherwise requires.

Acquired Property: A Subject Property acquired by Purchaser under the terms of this Agreement.

Areas of Participation: Areas under the geographic control of the Public Housing Agency.

Agreement: This Agreement, including all attachments and exhibits.

Business Day: Any day other than a Saturday, Sunday, a federal holiday or other day on which the Federal Government is closed by law or executive order.

Business Plan: The plan that presents a comprehensive revitalization strategy that at a minimum describes the PHA's specifications and construction requirements, relocation, moving and storage, acquisition and rehabilitation or direct sale to the tenant or family, the proposed use(s) of the property to be acquired, sources of funding, subcontractors or business partners and the applicant's expertise and capacity to rehabilitate, sell or lease real property. The Plan is submitted to the Seller by the Purchaser and accepted by Seller. A copy of the Business Plan is attached as Exhibit 2.

Calendar Day: Every day, including all weekdays, weekend days and holidays. If a time frame specified in this Agreement requires action within a specified number of Calendar Days and the final day for action falls on a non-Business Day, then the final day for action shall be the next Business Day.

Closing Agent: Seller's independent contractor who will close the transfer of Properties.

Closing Date: The date specified on a Closing Notice sent under Section 3.7.

Disaster Housing Assistance Program: The program under which HUD assists victims of disasters such as Hurricane Katrina who are offered housing and other assistance.

Disaster Housing Assistance Program Occupant: Persons occupying units of HUD Real Estate Owned property under such program

Eligible Buyers: Disaster Housing Assistance Program (“DHAP”) occupants who have an income at or below 125% of the local area median income adjusted by family size, as defined by Seller for the fiscal year in which Purchaser is selling or leasing the Acquired Property.

Eligible Expenses: Expenses identified in Exhibit 4.

Eligible Property: A property occupied by Disaster Housing Assistance Program (“DHAP”) tenants acquired by Purchaser under this Agreement.

Fair Market Value: the value of the property as determined by a licensed appraiser on a date after which rehabilitation under Article V has been completed and before the closing of the sale between Purchaser and Eligible Buyers.

[Optional: Lease Purchase Program: Purchaser’s program, as accepted by Seller, under which Purchaser leases properties to Eligible Buyers with the provision that such Eligible Buyers may exercise an option to purchase the properties during the lease or at the expiration of the lease term. A description of Purchaser’s Lease Purchase Program is attached as Exhibit 13].

Payment Due Date: The scheduled closing date under Section 3.9.

Purchase Price: The amount due from Purchaser for a property calculated under Section 3.7.

Resale Price: The amount specified in Section 6.3.

Schedule: A schedule, attached to this Agreement as Exhibit 3, providing certain information relating to the Subject Properties covered hereby, included, but not limited to the FHA Case Number, location, tax information, appraised value and Purchase Price. A current appraisal will be attached thereto.

Section: A section of this Agreement.

Single Family Property: A parcel of real estate which is developed with a structure containing one [to two, three, or four] dwelling unit[s].

Subject Properties: The properties shown on the Schedule defined above, and which are occupied by DHAP tenants.

Transfer Effective Date: For each Subject Property, the date title passes to Purchaser as described in Section 3.9.

ARTICLE II

PURCHASE AND SALE

2.1 Agreement to Sell and Purchase.

Subject to this Agreement's terms and conditions, Seller agrees to sell, assign and transfer to Purchaser, and Purchaser hereby agrees to purchase and acquire from Seller, all of Seller's right, title and interest in and to all Subject Properties, not to exceed **[insert maximum number of properties]**. Purchaser shall repair and sell **[or lease]** Acquired Properties in accordance with this Agreement.

2.2 Conflicts of Interest; Prohibited Transfers; Nondiscrimination

A. Purchaser and their agents, board of directors, principal staff and contractors shall avoid any and all conflicts of interest and self-dealing.

B. Purchaser shall not employ staff who also work for and receive a financial benefit from any entity that is providing the Purchaser with services related to the DHAP Program.

C. Unless approved in writing by Seller, Purchaser shall not transfer, lease, or permit the occupancy of any property to: 1) any director, officer, employee, elected official, or appointed official connected with Purchaser or their agents and contractors; or 2) to anyone related by consanguinity or affinity within the third degree as determined under state law to any individual identified in the previous clause.

D. Purchaser shall not transfer, lease, or permit the occupancy of any property to 1) Seller's employees or to any member of or delegate to Congress, or 2) to anyone related by consanguinity or affinity within the third degree as determined under state law to any individual identified in the previous clause.

E. Purchaser shall not transfer, lease, or permit the occupancy of any property to the former mortgagor of an FHA-insured mortgage formerly securing such property, in cases where Seller paid an insurance claim relating to the mortgagor's default on the mortgage formerly securing such property.

F. Purchaser will comply with HUD's antidiscrimination and equal opportunity requirements listed in 24 CFR Sec. 5.105(a) including but not limited to the Fair Housing Act (42 USC §§ 3601-3619); Title VI of the Civil Rights Act of 1964 (42 USC §§ 2000d-2000d-4), including the provision of language assistance services to persons of limited English proficiency; the Age Discrimination Act of 1973 (42 USC §§ 6101-6107); the Rehabilitation Act of 1972 (29 USC §794; Title II of the Americans with Disabilities Act (42USC §§ 12101 *et sec.*); and Section 3 of the Housing and Community Development Act of 1968 (12 USC1701u); and shall display a Fair Housing Poster in the manner required under HUD's rules at 24 CFR part 110.

2.3 Business Plan

Seller has accepted the Purchaser's Business Plan attached hereto as Exhibit 2, and it is incorporated herein by reference and made a part of this Agreement. If there is any conflict between the Business Plan and any of the terms and conditions of this Agreement, this Agreement shall control.

2.4 Seller's Contractors

Seller may engage the services of contractors to accomplish this Agreement. All references in this Agreement to "Seller" shall mean Seller or its contractors, as applicable. Purchaser shall comply with contractor's directions as if the directions came directly from Seller.

ARTICLE III

TRANSFER OF PROPERTIES

3.1 Basic Structure of Transaction

This Section provides, for informational purposes only, an overview of the general procedures for transferring properties:

1. Seller and Purchaser execute the Agreement, attached to which is a Schedule which includes the address of each property to be conveyed by Seller has attached a current appraisal of each property and sets forth the Purchase price based upon the appraisal and the applicable discount;
2. Purchaser has an opportunity to challenge the appraisal and has 30 days to determine whether it will acquire the units under this program;
3. Provided Purchaser desires to acquire the units reappraisal is completed if applicable
4. Closing Agent notifies Purchaser of closing via the Closing Notice;
5. Closing Agent conducts closing;
6. Purchaser pays Seller the Purchase Price by Payment Due Date;

7. Purchaser performs all repairs identified by Purchaser or determines that resale purchaser shall perform such repairs;
8. Purchaser sells [or leases] property to Eligible Buyer; and
9. Purchaser provides monthly, quarterly, and annual reports to Seller.

3.2 Contents of Schedule

All Schedules shall contain or have attached the following information for each Subject property:

- 1) The FHA case number,
- 2) The address and tax parcel identification number (where known),
- 3) The appraised value and;
- 4) copy of each appraisal, and
- 5) The Purchase Price based upon the appraisal and applicable discount.

3.3 The Appraisal

Seller shall have had Subject Properties appraised by an FHA Roster appraiser based on the as-is value of the property in its present physical condition considering: 1) the age and condition of major mechanical and structural systems; and 2) the property's value for homeownership. Appraisals will be provided on the standard URAR appraisal form 1004.

3.4 Appraisal Appeals

Purchaser may request a new appraisal for any property by submitting a written request to HUD REO (at the address provided in Section 11.6) within ten (10) Calendar Days of Purchaser's receipt of the original appraisal. Upon receipt of a timely request, Seller shall obtain a new appraisal from another FHA Roster appraiser within 10 Calendar Days of receipt of such request. When a new appraisal is performed, the appraised value stated by the new appraisal shall be final and shall be used in setting the Purchase Price. Purchaser shall have no further right of review. If the new appraisal deviates by 20% or more from the original appraisal, Seller shall pay for the new appraisal. If the new appraisal deviates by less than 20% from the original appraisal, Purchaser shall pay for the new appraisal. Such payment shall be due at the closing for that property. Purchaser's failure to submit written objection to the original appraisal within the 10-day appeal period specified herein shall constitute Purchaser's acceptance of the appraisal.

3.5 Purchaser's Right of Entry

A. For 30 (thirty) Calendar Days after execution of the Agreement, Purchaser and their agents or contractors may enter a property identified on a Schedule solely for the purpose of inspecting and preparing a repair report and determining whether it will acquire the Subject Property. Unless Purchaser notifies Seller in writing that has determined not to acquire the Subject Property within said 30 Calendar Days of execution, it shall proceed with acquisition under the terms of this Agreement.

B. Purchaser and its agents/contractors must comply with all of Seller's procedures for entering and inspecting a property, including signing the visitors log at the property for each visit.

C. Purchaser and its agents and contractors assume all risks associated with entering or inspecting the properties. Seller has no responsibility or liability related to such entry or inspection. Purchaser, and its agents and contractors agree to hold Seller harmless and to defend and indemnify Seller for any injury, claim, loss or lawsuit that is asserted based on such entry and inspection.

D. Purchaser may not perform any rehabilitation or other activity on any Subject Property until the Transfer Effective Date.

3.6 Determination of Purchase Price

The Purchase Price for Subject Properties shall be the appraised value, as determined in Section 3.3 or 3.4, minus the applicable discount specified below.

1. Subject Properties with an appraised value of \$50,000 or greater shall receive a fifty percent (50%) discount of the appraised value of the property.
2. Subject Properties with an appraised value greater than \$25,000 and less than \$50,000 shall receive a discount of \$24,900 from the appraised value of the property.
3. Subject Properties with an appraised value of \$25,000 or less shall have a Purchase Price of \$100.

3.7 Closing Notice

At least 7 Calendar Days before the Closing Date, Closing Agent shall provide Purchaser with a Closing Notice. The Closing Notice shall provide the closing date and the list of properties to be conveyed on that date. The Closing Notice shall also provide the following information for each property:

- a. The address and tax parcel identification number (if known);

- b. The Purchase Price, as may be adjusted by a new appraisal in accordance with Section 3.4;
- c. Estimated Closing Costs, prorated taxes and other applicable charges;
- d. A draft HUD-1 settlement statement for each property; and
- e. Any outstanding appraisal costs, pursuant to Section 3.4;

3.8 Seller's Responsibility for Maintenance, Security and Debris Removal

A. Until the Transfer Effective Date, Seller shall maintain the subject properties under its property maintenance program, as stated in HUD's Mortgagee Letter 2002-10, 2002 Preservation and Protection Cost Schedule and Policy Updates, as updated by Mortgagee Letter 2003-05, and any equivalent re-issuance, as interpreted by Seller in its sole discretion. Seller shall remove debris from Subject Properties before transferring a Subject Property to Purchaser.

B. Seller has no obligation to perform any repairs to the Subject Properties, except for emergency repairs needed to protect the public or property from an imminent threat to health or safety, as interpreted by Seller, prior to the Transfer Effective Date.

3.9 Closings

Purchaser may close the sale at the Closing Agent's office ("Office Closing") or by document exchange ("Document Closing"). Purchaser shall, within 5 Calendar Days of receiving the Closing Notice, notify the Closing Agent whether there will be an Office Closing or a Document Closing. For an Office Closing, the Transfer Effective Date shall be the date of the actual closing. For a Document Closing, Purchaser shall sign all required documents and ensure Closing Agent receives all required documents on or before the scheduled closing date. Upon receipt of Closing Costs and Purchase Price, and upon receipt of Purchaser's signed closing documents, Seller will ensure that Closing Agent records the executed deed. For a Document Closing, the Transfer Effective Date shall be the date the deed is recorded. The parties shall sign an HUD-1 settlement statement for each property. All assessments, taxes, utilities, and ground rents, if any, shall be prorated as of the Transfer Effective Date.

3.10 Closing Deadlines

For each Schedule, Seller shall schedule, and Purchaser should be prepared to close on the sale [or lease] of the properties within 60 (sixty) Calendar Days.

3.11 Payment

Purchaser must pay the Purchase Price for each property on or before the Payment Due Date. Purchaser shall pay any amounts owed as shown on the HUD-1 settlement statement, by wire transfer

from immediately available funds or by certified check to the Closing Agent. Purchaser shall pay to Seller the entire amount owed without deduction or set off for any charge, cost, expense, or claim.

3.12 Closing Costs

Except as otherwise set forth in this Agreement, Purchaser shall be solely responsible for all costs and expenses in connection with the purchase of each SubjectProperty. This includes, where applicable, and without limitation: all recording and filing fees; transfer taxes and fees payable to any government agency; notary fees; costs of obtaining or transferring any required certificates of occupancy; costs of title searches, commitments and insurance policies; survey costs; and engineering and environmental reports obtained by Purchaser. Seller will be responsible for Closing Agent's fee.

3.13 Title Warranty

A. Seller warrants that title to each Subject Property as of its Transfer Effective Date will be good and marketable, subject to the following:

- 1) Covenants, conditions, restrictions, rights of way, easements and like matters of public record;
- 2) Any state of facts or other matters which would be shown by an accurate survey;
- 3) Any and all present and future laws, ordinances, restrictions, requirements, resolutions, orders, rules and regulations of any governmental authority, as now or hereafter existing or enforced (including, without limitation, those related to environmental, zoning, and land use matters);
- 4) Any title condition exceptions caused by Purchaser, its agents, representatives or employees; and
- 5) Other matters, including those described in 24 CFR §203.389, to which like properties are commonly subject which do not materially interfere with the use of the Subject Property as a Single Family Property.

B. Purchaser is responsible for examining title and obtaining such title opinions or insurance that it deems necessary.

C. Purchaser may examine title before the Closing Date. If Purchaser discovers a title issue that does not conform with the warranty of title in this Section, Purchaser may so inform Seller, providing sufficient title information to allow Seller to review the title issue. If Seller agrees there is a title issue, the closing for that property shall be postponed until Seller resolves the title issue.

D. If Purchaser decides not to examine title before the Closing Date, the property shall, nonetheless, be conveyed to Purchaser pursuant to Section 3.16. In such cases: 1) Purchaser acknowledges that title to such Subject Properties may be subject to liens or encumbrances not permitted hereby and agrees to accept conveyance of the property notwithstanding such liens or encumbrances.

E. Seller shall convey properties by a quitclaim deed. The deeds will contain no representations or warranties by Seller.

F. The title warranty of this Section shall not survive the execution, delivery and recording of the deed.

3.14 Responsibilities of Ownership.

A. Purchaser assumes all risks, responsibilities, liabilities and obligations of ownership for each Designated Property from and after the Transfer Effective Date for such Subject Property. Seller shall not be liable to Purchaser or any third party for any loss, costs, damage, harm, claim or lawsuit connected with the property for claims arising after the Transfer Effective Date. Purchaser shall indemnify, defend and hold Seller harmless with respect to any such harm or claim asserted against Seller after the Transfer Effective Date.

B. Without limiting the protection afforded Seller under Paragraph A above, Purchaser shall indemnify, defend and hold Seller harmless with respect to claims asserted against Seller by reason of Seller's holding record title to any Subject Property during the period from the Transfer Effective Date through the date that the deed is recorded.

C. Until Purchaser conveys a property to a subsequent owner, Purchaser shall ensure the property is secured and maintained, including ensuring the yard areas are clean, mowed (if there is a lawn) and safe.

D. After the Transfer Effective Date, Purchaser is responsible for the risk of loss due to fire, casualty or other cause. If a property is damaged or destroyed by fire or other casualty after the Transfer Effective Date, Purchaser remains responsible for repairing all damage and for repaying Seller by the Payment Due Date. If Purchaser obtains insurance to cover this risk, Purchaser shall name Seller as a loss payee until payment of the Purchase Price.

E. If any improvement on the Property is located within a special flood hazard area, Purchaser shall obtain flood insurance covering all improvements on the property, whether now in existence or subsequently erected, in an amount equal to (a) the greater of (i) the appraised value established under 3.3 less estimated land cost, or (ii) the total of the outstanding principal balances of the PHA Purchaser Compliance Mortgage and any purchase money mortgage, or (b) the maximum limit of coverage made available under the National Flood Insurance Act of 1968, whichever is less. Upon resale to an eligible homebuyer, Purchaser shall require that flood insurance be maintained during the life of the property, regardless of transfer of ownership of the property.

3.15 Notification.

Upon closing, Purchaser shall notify all taxing authorities, utility companies, condominium association, homeowner associations, or other such entities to which Purchaser is responsible for the property and all associated costs.

3.16 Environmental Issues

Hazardous Substances. Seller shall comply with section 120(h) of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. § 9601 et seq.) (CERCLA) when it transfers property to the Purchaser. For purposes of this Section, the meaning of the terms “hazardous substances,” “storage,” “release,” and “disposal” are defined at 40 CFR 373.4.

- A. **Records Search.** Prior to sending a Notice for a property, Seller shall (1) conduct a search of departmental files to determine, to the extent such information is available therein, whether any hazardous substance was stored for one year or more, or known to have been released or disposed of, on the property and (ii) provide the Purchaser with a disclosure of Information on Lead-based paint and Lead-based Paint Hazards in accordance with federal regulation referenced in Section 8.5 of this Agreement.
- B. **Hazardous Substance Notice.** If the search of departmental files reveals a record of the storage for one year or more, release, or disposal of a hazardous substance on a property in a quantity specified in 40 CFR 373.2, Seller shall include as an attachment to the Designation Notice for such property the information required by 42 U.S.C. § 9620(h) and 40 CFR Part 373, which as of the execution of this Agreement includes the following:
 - 1. The following prominently displayed statement: **The information contained in this notice is required under the authority of regulations promulgated under section 120(h) of the Comprehensive Environmental Response, Liability, and Compensation Act (CERCLA or “Superfund”) 42 U.S.C. section 9620(h).**
 - 2. For each hazardous substance,
 - a. the name of the hazardous substance;
 - b. the Chemical Abstracts Services Registry Number (CASRN), where applicable;
 - c. the regulatory synonym for the hazardous substance, as listed in 40 CFR 302.4, where applicable;
 - d. the Resource Conservation and Recovery Act (RCRA) hazardous waste number specified in 40 CFR 261.30, where applicable;
 - e. the quantity in kilograms and pounds of the hazardous substance; and

- f. the date(s) that the storage, release, or disposal of the hazardous substance took place.
- C. **Purchaser Inspections.** Purchaser acknowledges there are, or may be, environmental issues and/or risks with respect to properties now or hereafter conveyed pursuant to this Agreement. Purchaser may test and inspect any Subject Property prior to the Closing Date for such property. Purchaser shall bear the cost of all tests and inspections it obtains. If Purchaser discovers evidence of the presence of a hazardous substance that was not included in Seller's prior notice of hazardous substances, Purchaser shall notify Seller in writing of the discovery within five (5) business days of discovery and provide Seller with copies of any environmental assessments, studies, or documents evidencing the hazards.
- D. **Remediation.** If Seller determines a hazardous substance was stored for one year or more, released, or disposed of on the Subject Property or if Purchaser notifies Seller of the presence of a hazardous substance as provided in Paragraph C, then, except as provided herein, Seller shall determine whether there is a remediation obligation in accordance with CERCLA, and, if so, shall, in its sole discretion (1) remediate the substance and delay the Closing Date until remediation is completed, or (2) terminate the Purchaser's obligation to purchase such Subject Property. Seller shall have no obligation to perform remedial action when the Purchaser is a potentially responsible party with respect to the hazardous substances on the Subject Property. Seller and Purchaser may mutually agree to the pre-remediation transfer to Purchaser of a Subject Property with hazardous substances if Seller obtains authorization under 42 U.S.C. § 9620 (h)(3)(C) to defer remediation. If the remediation to comply with CERCLA occurs prior to the transfer to Purchaser of the Subject Property, then Seller may obtain another appraisal of the Subject Property and the Purchase Price will be adjusted accordingly.
- E. **Deed Provisions.** Except as provided in Paragraph D of this Section, if the search of departmental files reveals a record of the storage, release, or disposal of hazardous substances on the property, Seller shall remediate prior to conveying the property to Purchaser and include in the deed conveying such property the information, covenants, and clauses required by 42 USC 9620(h).
- F. **Other Substances.** If Purchaser is concerned about the presence on a Subject Property of any substance that is not defined as a hazardous substance under CERCLA or about the presence on a neighboring property of any substance, then Purchaser may deliver to Seller a written notice providing sufficient information to allow Seller to review Purchaser's concerns. Seller may, in its sole discretion, elect to offer Purchaser one or more of the following options: (1) Seller shall remediate the substance and delay the Closing Date until remediation is completed, (2) Seller shall adjust the purchase price in exchange for Purchaser's agreement to remediate the substance and release and indemnify Seller from any future claims, (3) Seller shall demolish the property or permit Purchaser to demolish the property, pursuant to Section 3.11, or (4) Seller shall terminate Purchaser's obligation to purchase such Subject Property.

ARTICLE IV

LEASE TO DHAP OCCUPANTS

4.1 Lease

Upon the Transfer Effective Date the Purchaser shall enter into a fair market rent lease [in form shown on attachment ?] with the existing DHAP occupant or a new tenant as determined by Purchaser. Such lease shall remain valid between Purchaser and Occupant until the property is sold by the Purchaser, but shall in no event exceed 18 (Eighteen) months in duration.

ARTICLE V

REPAIR OBLIGATION

5.1 Repair Requirement

A. Purchaser or the Eligible Buyer pursuant to Section 6.1B, shall repair all Subject Properties to conform to the highest of the following standards (if the properties do not already meet such standards at the time of conveyance from Seller):

1. HUD Housing Quality Standards (HQS) as defined by Title 24, Code of Federal Regulations, Section 982.401; and
2. Applicable state or local building codes; or
3. The rehabilitation standards identified in the Home Ownership Plan component of Purchaser's Business Plan in Exhibit 3, if they exceed the standards in 1) and 2).

5.2 Cost, Conduct, and Permits

All costs incurred on the properties, including repair and rehabilitation costs, are Purchaser's or Eligible Buyer's responsibility. Seller has no liability for such costs. All work performed on Acquired Properties shall be consistent with industry standards. Purchaser or Eligible Buyer is solely responsible for obtaining all permits and approvals for all work. Purchaser or Eligible Buyer will perform all repair

and rehabilitation in accordance with all applicable federal, state and local, laws, statutes, ordinances, codes, regulations and requirements.

5.3 Inspections

Seller shall be given reasonable access to the property and may inspect properties to ensure compliance with this Agreement. Purchaser or Eligible Buyer grants Seller and its contractors access to the Acquired Properties to inspect and determine if the required work has been completed. All inspections are solely for Seller's benefit to ensure compliance with this Agreement. The inspections are not for the benefit of Purchaser or any subsequent owner. Seller or its contractors may, from time to time, on its behalf, and, at its expense, review, inspect and verify the expenditures for the rehabilitation work.

ARTICLE VI

RESALE OF TRANSFERRED PROPERTIES; PERFORMANCE MEASURES

6.1 Marketing of Properties

Purchaser may not market any property prior to its Transfer Effective Date. After the Transfer Effective Date for each Acquired Property, Purchaser may begin to generally market and offer the Acquired Property for sale. The marketing materials provided to prospective homebuyers must describe the repair standards set forth in Section 5.1.

A. If Purchaser determines to rehabilitate the property it may enter into a contract of sale for an Acquired property before rehabilitation is complete only if the contract of sale describes the specific repairs remaining to be made for that property, as are required in Section 5.1, and if the contract of sale provides that it is contingent on Purchaser's making such repairs before closing. Otherwise, Purchaser may enter into a contract of sale for an Acquired property only after rehabilitation in accordance with Section 5.1 is complete. Purchaser shall not transfer any Acquired Property to an Eligible Buyer until all repairs required under Section 5.1 have been completed.

B. [With an appropriate reduction in price based upon the costs of rehabilitation?], Purchaser may require that the Eligible Buyer secure acquisition and rehabilitation financing prior to the sale of the property from the Purchaser to the Eligible Buyer, in which case the Eligible Buyer would be responsible for completing repairs to the property no later than 90 (ninety) Calendar Days from the date of the sale. The Purchaser may allow for extensions of the 90 (ninety) Day deadline in its discretion.

6.2 Resale Requirements

A. In the case of one-unit properties, or in the case of multiple-unit or mixed-used properties, Purchaser shall **[take one of the following actions:]**

[1] offer the property for sale to Eligible Buyers **[:or]**

[For Lease Purchase option: 2)] offer the property for sale to Eligible Buyers under Purchaser's Lease-Option Program. If the lessee does not exercise the purchase option under the lease within 2 (Two) years, the Purchaser must sell the Acquired Property to another Eligible Buyer at the Resale Price prescribed in Section 6.3.]

in the following order of priority, unless this priority is re-established through the Purchaser's Administrative Plan:

1. Existing DHAP tenant if interested and qualified;
2. Other DHAP qualified participants;
3. Section 8 Homeownership participants;
4. Other HUD income eligible homebuyers at or below 125% of area median income;
5. Any other qualified homebuyer.

B. The income limits stated in this Agreement defining Eligible Buyers are the maximum income limits allowed by this Agreement. This Agreement does not supercede income requirements required by funding sources or other housing programs. Purchaser must comply with income limits imposed by other programs administered by Seller.

C. Purchaser shall, in accordance with the Business Plan, provide pre-purchase **[or pre-lease]** housing counseling by a HUD-approved housing counseling agency to all Eligible Buyers who purchase **[or lease]** Acquired Properties. Purchaser must maintain records verifying the housing counseling provided by Purchaser. Purchaser shall credit the successful resale buyer [or lessee] with the cost, if any, of such counseling.

D. Purchaser shall require and maintain from any Eligible Buyer who will own **[,lease]** or occupy an Acquired Property sufficient income documentation to verify income eligibility.

6.3 Resale Price.

A. Purchaser shall not sell an Acquired property for a Resale Price of more than the lesser of 1) Fair Market Value of the property at the time of resale, or 125% of net development cost, as defined in Exhibit 8, attached to this Agreement. The Resale Price for this purpose is defined as the total compensation paid by the resale buyer to Purchaser (including the amount of any financing provided by Purchaser, whether repayable or not) . The Fair Market Value of the property at the time of resale shall be determined by the appraisal obtained by resale buyer's lender, or if there is no resale buyer's lender, by an FHA Roster appraiser hired by Purchaser. Purchaser may not impose limitations with respect to

when or to whom the property may be resold or requirements that the resale buyer share appreciation with another party, unless such buyer is required to do so by conditions associated with the program under which other state or local assistance is provided.

B. All Eligible Expenses must be substantiated with copies of paid invoices or receipts and copies of reports generated by Purchaser that include all required information on an individual property basis.

6.4 Resale [and Leasing] Deadline

For each closing between Seller and Purchaser, Purchaser must convey by deed **[or lease]** the properties within eighteen months after the Transfer Effective Date.

6.5 Homeowner Warranties

Upon the resale of each Acquired Property to an Eligible Buyer, Purchaser shall warrant to the resale buyer that the repairs performed by Purchaser will be free from defects in workmanship for a period of one year from the date of closing of the resale purchase. Purchaser shall also obtain on behalf of the Eligible Buyer, a one-year Homeowner's Warranty Policy, dated as of the date of closing of the resale purchase from **[Insert name of Warranty Company identified by Purchaser and accepted by HUD]**, covering major structural defects and defects in any new electrical, plumbing, heating, cooling and ventilation systems, or the extended portions of existing systems, installed by Purchaser.

ARTICLE VII

REPORTING REQUIREMENTS AND RECORDS

7.1 Reporting Requirements of Purchaser

Purchaser must report all sales activity to Seller on a monthly, quarterly, and annual basis as described in this Article and must certify the underlying data represented in such reports. Purchaser shall submit the required reports in writing and by electronic format as instructed by Seller. The reports shall segregate, or be able to segregate, properties based on their location such as by zip code or census tract. Purchaser must also report any additional information requested by Seller.

7.2 Monthly and Quarterly Reports

A. Purchaser shall submit to Seller quarterly reports, within 30 Calendar Days of the last day of each 3-month period, commencing with the execution of this Agreement. Monthly reports shall be submitted by the 15th of each consecutive month.

B. The monthly and quarterly reports shall consist of two sections: 1) an inventory list; and 2) a disposition list.

C. The inventory list shall include a list of all properties not yet sold **[or leased]** by Purchaser. For each such property, the report shall state:

- 1) the property address;
- 2) the Transfer Effective Date;
- 3) the status of the repair and rehabilitation work with an anticipated completion date; and
- 4) the marketing status with an anticipated resale **[or lease]** date.

D. The disposition list shall, for each Acquired Property sold by Purchaser within the previous three-month period, state:

- 1) the property address;
- 2) the acquisition date and Purchase Price **[or lease amount]**;
- 3) the total repair and rehabilitation costs, with a separate itemization of costs incurred to complete the work in the Repair Report;
- 4) the marketing and sales costs;
- 5) the date the property was sold by the Purchaser **[or leased]** to an Eligible Buyer;
- 6) the sales price; and
- 7) the buyer's name and percentage of median income.

7.3 Records

Purchaser shall maintain the required reports and records supporting the reports for three years after the end of the Acquisition Period, including any extensions. Purchaser shall permit Seller to inspect the records at any time during normal business hours. Seller may conduct periodic operational and compliance reviews and audits at Seller's discretion.

7.4 Compliance Audits

Purchaser is required to fully cooperate with Seller and/or its designated contractor at such time that an annual compliance review/audit is conducted.

ARTICLE VIII

NO REPRESENTATIONS OR WARRANTIES BY SELLER AS TO THE CONDITION OF PROPERTIES; LEAD-BASED PAINT

8.1 Properties Sold As Is

Purchaser specifically acknowledges and agrees that Seller shall sell and Purchaser shall purchase each property as-is, where-is and with all defects. Purchaser is not relying on any representations or warranties of any kind whatsoever, whether oral or written, express or implied, statutory or otherwise, from Seller, or any officer, employee, consultant, appraiser, attorney, agent or broker of seller, as to any matter, concerning the condition of designated properties, including without limitation: mechanical systems, dry basement, foundation, structural or compliance with code, zoning or building requirements. Seller does not guarantee or warrant that the property is free of visible or hidden structural defects, termite damage, hazardous or toxic materials or substances, lack of water supply or sewer, inadequate soil conditions, radon, asbestos, lead-based paint, mold, or any other condition that may render the property uninhabitable or otherwise unusable.

8.2 Release

Without limiting the foregoing provisions, Purchaser, for itself and any successors and assigns of Purchaser, waives its right to recover from, and forever releases and discharges, and covenants not to sue, Seller, or any officer, employee, attorney, consultant, appraiser, agent or broker of Seller with respect to any and all claims, whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with any Subject Property including, without limitation, the physical, environmental and structural condition of any Subject Property or any law or regulation applicable thereto, including, without limitation, any claim or matter relating to the use, presence, discharge or release of hazardous materials on, under, in, above or about any Subject Property.

8.3 Lead-Based Paint

Purchaser has received Seller's disclosures about lead-based paint in Exhibit 4.

8.4 Lead Pamphlet

Purchaser has received the pamphlet "Protect Your Family from Lead in Your Home," provided in Exhibit 5.

8.5 Lead Policy on Resales

Purchaser agrees to comply with all of the requirements of the Lead-Based Paint Disclosure Rule (title 24 of the Code of Federal Regulations, part 35 subpart A) upon resale or lease of any pre-1978 property purchased under this Agreement. These requirements include, but are not limited to, providing the EPA-approved lead hazard information pamphlet, "Protect Your Family From Lead in Your Home," to purchasers and renters; disclosing known lead-based paint and/or lead-based paint hazards; and providing purchasers a 10-day opportunity (or a mutually agreed upon period, or allowing them to waive the opportunity) to conduct an inspection or risk assessment for the presence of lead-based paint and/or lead-based paint hazards.

ARTICLE IX

SELLER'S AND PURCHASER'S REPRESENTATIONS AND WARRANTIES

9.1 Seller's Representation and Warranty.

Seller hereby represents and warrants to Purchaser that Seller has the power and authority to execute, deliver and perform this Agreement and all of the transactions contemplated hereby.

9.2 Purchaser's Representation and Warranty.

Purchaser hereby represents and warrants to Seller that Purchaser has the power and authority to execute, deliver and perform this Agreement and all of the transactions contemplated hereby and has attained all necessary municipal consents. The person executing this Agreement on behalf of this Purchaser and any other document that the Purchaser is required to execute pursuant to the terms hereto has been duly and properly authorized to do so.

ARTICLE X

DEFAULT BY SELLER

10.1 Failure By Seller To Complete Sale of Subject Properties.

In the event that Seller shall fail to complete the sale of any Subject Property to Purchaser, Purchaser's sole and exclusive remedy shall be to terminate its obligation thereafter to purchase any further Subject Properties from Seller. No such termination shall affect Purchaser's obligations under this Agreement with respect to those Properties previously acquired by Purchaser, including, without limitation, Purchaser's payment, repair, resale, and reporting obligations under Articles III, IV, V, and VI of this Agreement. Without limiting the generality of the foregoing, Purchaser hereby waives and releases any claim for damages and any right to seek specific performance or other equitable relief against Seller.

ARTICLE XI

DEFAULT BY PURCHASER; PURCHASER'S INDEMNIFICATION

11.1 Seller's Remedies.

In the event that Purchaser shall fail to perform any of its obligations under this Agreement, Seller will provide Purchaser with a notice to cure the default within 30 Calendar Days. If the default is not timely cured, Seller may exercise any one or more of the following remedies:

- 1) Recover from Purchaser any amounts which are due to Seller; including, where Purchaser has violated the resale price limitation set forth in section 5.3 hereof, the resale price exceeding the limitation shall be owed as liquidated damages, payable either to Seller or the subsequent buyer of the property, as seller may direct.
- 2) Terminate any or all of Purchaser's rights and/or Seller's obligations under this Agreement, including, without limitation, Seller's obligation to sell any Subject Properties to Purchaser thereafter;
- 4) Negotiate with a new participant for the forfeited territory;
- 5) Terminate approval for Purchaser to participate in the DHAP and, if applicable, approval to participate in HUD Homes Nonprofit Discount Program;
- 6 Seek debarment and suspension proceedings or other administrative or legal remedies available at law; and
- 7)Suspend additional property sales and conveyances.

11.2 Remedies Not Exclusive.

No right or remedy herein conferred upon or reserved to Seller is intended to be exclusive of any other right or remedy herein or by law, equity or statute provided, but each shall be cumulative and in addition to every other right or remedy given herein or now or hereafter existing at law or in equity or by statute.

11.3 Indemnification By Purchaser.

Purchaser agrees to indemnify Seller and hold Seller harmless against any loss, damage, cost or expense that may be incurred by Seller as a result of:

A. Purchaser's failure to perform any of the obligations of Purchaser set forth in this Agreement, including, without limitation, failure to make the rehabilitation repairs required under Article IV (Repair Obligations) in accordance with all applicable federal, state, and local laws, statutes, ordinances, codes, regulations and requirements; and

B. Seller being the record title holder of a Subject Property during the period from the Transfer Effective Date through the date the deed is recorded.

ARTICLE XII

MISCELLANEOUS

12.1 Casualty or Condemnation.

A. Each Subject Property is being conveyed to Purchaser in its condition as of the Transfer Effective Date, as the same may be affected by condemnation or casualty loss. The initiation of any eminent domain proceedings with respect to a Subject Property or the occurrence of a fire or other casualty which damages or destroys any portion of the Subject Property shall not affect the obligations of the parties with respect to such Subject Property and Purchaser shall pay the Purchase Price to Seller without adjustment of any kind, except as provided in paragraph B of this Section. In no event shall Seller have any obligation to repair or restore the Subject Property or any portion thereof.

B. Notwithstanding the foregoing, if a fire or other casualty occurs after the date that the Appraisal has been completed but before the Transfer Effective Date, Seller shall cause a new Appraisal to be made at its expense, reflecting the "as is" value of the Subject Property after the casualty, and the Purchase Price shall be adjusted accordingly. In the event of the initiation of condemnation or eminent domain proceedings after the date that the Appraisal has been completed, the Purchase Price will be based upon the then-existing Appraisal, and no new Appraisal will be required; however, Seller will assign to Purchaser Seller's rights in any condemnation award with respect to the Subject Property. The Resale Deadline for any property that is subject to the condemnation or eminent domain proceedings shall be tolled until such proceedings have been terminated. For any property for which Purchaser obtains casualty insurance, and which suffers casualty damage occurring after the Transfer Effective Date and exceeding \$20,000, the Resale Deadline shall be tolled until Purchaser has recovered insurance proceeds from its insurer, which recovery Purchaser shall diligently pursue.

12.2 Single Audit Act

To the extent that the total purchase price discounts or other Federal financial assistance provided to Purchaser totals \$500,000 or more during Purchaser's fiscal year, Purchaser shall have a single audit conducted in accordance with Office of Management and Budget Circular A-133.

12.3 Noise Abatement and Control

In accordance with HUD's rule at 24 CFR § 51.101(a)(5), Seller encourages Purchaser to incorporate noise attenuation features in noise exposed areas in keeping with the nature and extent of any rehabilitation to be undertaken.

12.4. Energy Star

In rehabilitating the Property, Purchaser is encouraged to purchase and use Energy Star labeled appliances, lighting, and other products.

12.5 Drug-Free Workplace

Purchaser will comply with HUD's requirements of financial assistance at 24 CFR part 21 which requires purchaser to maintain a drug-free workplace and take such actions as publishing a drug-free workplace statement, establishing a drug-free awareness program, and taking actions concerning employees convicted of violating drug statutes in the workplace. Purchaser shall also maintain documents identifying all of its workplaces relating to performance of its obligation under the Agreement and sales contract.

12.6 Notices.

A. Except as otherwise indicated in this Agreement, all notices, requests, demands, reports, and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be sent (except as otherwise expressly provided herein) by hand delivery, overnight courier, registered or certified mail, return receipt requested, postage prepaid or telecopier (with the original sent within twenty-four (24) hours of such facsimile by hand-delivery, overnight courier or by registered or certified mail, return receipt requested, postage prepaid):

If to Seller, to:

David Fleischman
U.S. Department of Housing and Urban Development
451 7th Street, SW
Room 4214
Washington, DC 20410
Fax Number: (202) 708-0690
David.Fleischman@HUD.gov

with copies to:

Vance T. Morris
Director, Single Family Asset Management Division
Office of Insured Single Family Housing
451 7th Street, SW
Room 9172
Washington, DC 20410
Fax Number: (202) 708-1672
Vance.T.Morris@HUD.gov IF TO HUD REO:
Housing: provide names/addresses for routine notices that would go to M&M contractor and/or HOC.

If to Purchaser, to:

[INSERT name and address]

B. All such notices, requests, demands and other communications shall be effective upon the actual delivery thereof to the address identified pursuant to this Section (or the refusal thereof by the addressee at the address identified pursuant to this Section). Either party to this Agreement may change such party's address for purposes of this Section by sending to the other party to this Agreement written notice of the new address in the manner specified in this Section.

C. Seller reserves the right upon notice to Purchaser to change or add notice parties hereto, including designating agents to perform obligations and receive deliveries of and for Seller hereunder.

12.7 Survival of Representations, Warranties and Covenants of Purchaser.

Except as otherwise specifically provided, the representations, warranties, covenants and agreements of Seller and Purchaser set forth in this Agreement shall survive the execution, delivery and recording of the deed for each property, the payment of the Purchase Price for each property, and the expiration of the Acquisition Period.

12.8 No Third Party Beneficiaries.

This Agreement does not create, and shall not be deemed to create, a relationship between any party hereto and any third party in the nature of a third party beneficiary relationship.

12.9 Governing Law; Waiver of Jury Trial; Venue.

A. This agreement shall be governed by and construed in accordance with the laws of the United States of America and, to the extent there is no applicable federal law, the laws of the State of [insert state where properties are located.]

B. Purchaser and Seller hereby waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise arising out of, related to, or in connection with this agreement, or any transaction contemplated thereby. Instead, any dispute resolved in court will be resolved in a bench trial without a jury.

C. Purchaser hereby irrevocably and unconditionally (i) agrees that any suit, action or proceeding against it arising out of or relating to or in connection with this Agreement may be instituted, and that any suit, action or proceeding by it against Seller arising out of or relating to or in connection with this Agreement shall be instituted only, in the U.S. District Court for the District of Columbia or the U.S. Court of Claims (and appellate courts from either of the foregoing); (ii) consents and submits, for itself and its property, to the jurisdiction of such courts for the purpose of any such suit, action or proceeding instituted against it, and (iii) agrees that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law; (iv) waives any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to or in connection with this Agreement brought in any court; (v) waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum; and (vi) agrees not to plead or claim either of the foregoing.

12.10 Entire Agreement; Amendments.

This Agreement, and the documents and instruments to be executed and delivered pursuant to this Agreement, constitute the entire agreement between the parties hereto with respect to the subject of the transactions contemplated hereby and supersede all prior agreements and understandings with respect thereto, if any. This Agreement may not be changed or modified or amended, nor may any provision hereof be waived, except by an agreement in writing signed by the parties hereto.

12.11 No Limitation on Seller's Ability to Administer and Enforce Laws.

Nothing in this Agreement shall in any way be construed to affect Seller's administration or enforcement of laws, regulations and policies pertaining to the Designated Properties, or otherwise.

12.12 Time of Essence; Time.

Time is of the essence with respect to all of Purchaser's and Seller's obligations under this Agreement. All references in this Agreement to a specific time of day shall be deemed to refer to Eastern Standard Time or Daylight Savings Time, whichever is then applicable in Washington, D.C.

12.13 Severability.

If any provision of this Agreement, or the application thereof to any person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the

remainder of this Agreement and such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

12.14 Further Assurances.

Each party shall, whenever and as often as it shall be requested to do so by the other party, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all such other documents and do any and all other acts as may be necessary to carry out the intent and purpose of this Agreement.

12.15 Parties.

Purchaser shall not assign in whole or in part its rights or obligation under this Agreement. Purchaser and Seller agree that this contract shall be binding upon their respective successors or assigns.

12.16 Termination

Notwithstanding any other provision of the Agreement, either party may, without cause, terminate the Agreement upon 30 (Thirty) Calendar Days notice to the other party. No such termination shall affect Purchaser's obligations under this Agreement with respect to those Designated Properties previously acquired by Purchaser, including, without limitation, Purchaser's payment, repair, resale, and reporting obligations under Articles III, IV, V, and VI of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered in their names as of the date first above written.

SELLER:

**SECRETARY OF HOUSING AND
URBAN DEVELOPMENT**

By: _____
Authorized Agent

Dated:

PURCHASER:

By: _____
Name: _____
Title: _____

Dated:

Attest: _____
Name: _____
Title: _____

Dated:

Exhibits:

1. Copy of local law or corporate resolution authorizing Purchaser to enter into the Agreement
2. Business Plan
3. Model Schedule of Subject Properties
4. Eligible Expenses
5. Lead-based Paint Disclosures
6. Lead-based Paint Pamphlet
7. Acquisition financing note and mortgage model forms
8. **Description of Purchaser's approved Lease Purchase program accepted by HUD**
9. Form of Notification of Anticipated Resale, Certification, and request for release of

EXHIBIT 1

COPY OF LAW OR OTHER AUTHORIZATION

EXHIBIT 2

BUSINESS PLAN

Business Plan accepted by HUD.

EXHIBIT 3

SCHEDULE OF SUBJECT PROPERTIES

To: _____(Purchaser)

From: United States Department of Housing and Urban Development (Seller)

This is to notify Purchaser of the properties listed below that will be conveyed by Seller to Purchaser pursuant to the terms of this Agreement.

File Number	Address	Tax Parcel	Appraised Value		Discount	Purchase Price

. If you wish to reject these properties from purchase, you must do so within 30 (Thirty) Calendar Days of receipt of this Notice. Otherwise you will be required to purchase these properties.

If seller finds a record of hazardous substances on a property, add "Seller conducted a search of its files to determine, to the extent such information is available, whether any hazardous substance was stored for one year or more, or known to have been released or disposed of, on the properties listed in this Notice. Seller did find a record of the storage, release, or disposal of hazardous substances on the properties listed on the attachment. For purposes of this Notice, the meaning of the terms "hazardous substances," "storage," "release," and "disposal" are defined at 40 CFR § 373.4.

The Seller's closing agent, _____*[insert name and address of closing agent]*, shall notify the Purchaser of the closing date.

Dated:_____

Attachment: any lead-based paint records and reports arising after Exhibit 5 was originally prepared and any record of CERCLA hazardous substances.

EXHIBIT 4

ELIGIBLE EXPENSES

Only the costs specifically included in the following list, within the prescribed limitations and/or conditions, may be included in calculating the Net Development Cost/Eligible Expenses.

1. Discounted purchase price paid to Seller
2. Upon the purchase of the property from Seller, financing and closing costs actually incurred, which must be reasonable and customary for the area in which the property is located, limited to the following:
 - a. The actual loan origination fee, not to exceed one percent
 - b. Supplemental loan origination fee (mortgages only)
 - c. Credit report fee
 - d. Net tax and insurance escrow deposit
 - e. Settlement fee (buyer's portion, if any)
 - f. Discount points
 - g. Hazard insurance premiums
 - h. Lender's title insurance policy premium
 - i. Owner's title insurance policy premium
 - j. Notary fees
 - k. Recording fees
 1. Appraisal fee
 - m. Courier fees
 - n. Document preparation fees
 - o. Attorney or escrow fees for services performed in connection with the loan closing, such as review of abstract or preparation of closing documents
 - p. Flood plan certification and fee for determination of flood zone
3. For the time period the Purchaser holds title, the following costs, limited to amounts that are reasonable and customary for the area in which the property is located:
 - a. Fees paid to an approved 203(k) consultant or a property inspector with similar qualifications for work write-ups, cost estimates, and inspections only. See Mortgagee Letter 95-40 for allowable fees.
 - b. Property management, but only if related to periodic inspection and/or minor maintenance of the property.
 - c. Architectural fees, but only if the services are provided by a licensed architectural firm or individual architect.
 - d. Rehabilitation costs, which are the total verifiable contractor and vendor expenditures incurred in the actual re-construction, repair, restoration and physical improvement of the property.

Rehabilitation costs are limited to the actual price paid to the contractor for completing each repair or improvement, and may also include expenditures for mechanical systems inspections, sewer and well inspections, repair inspections, foundation certifications for manufactured homes obtained from a licensed engineer, and roof inspections from a licensed contractor. Seller may require canceled checks and corresponding receipts as proof of rehabilitation costs.

e. Cost of public and municipal services and/or utilities and real property taxes for the subject premises, except for delinquent interest or penalty charges incurred as a result of failure of purchaser to pay these expenses in a timely manner.

f. Cost of termite, lead, and environmental inspections, and extermination services.

g. Homeowners Association fees or Condo Association fees.

h. Permits and other fees paid to units of state and local governments that are required by rule, law, regulation or other legally binding mandate that must be paid before initiating or completing the rehabilitation or property improvement.

i. Survey costs.

j. Hazard and liability insurance premiums.

k. Interest paid on acquisition or rehabilitation financing.

l. Costs for security for the property, not to exceed \$2,500 per property.

m. Cost of abatement or treatment of environmental conditions including lead-based paint.

n. Cost of clearance inspection after the abatement or stabilization of lead-based paint, not to exceed \$250.

4. Upon the resale of the property to a new purchaser, only the following seller closing costs that are actually incurred, limited to amounts that are reasonable and customary for the area in which the property is located:

a. 1/2 of closing agent-fee (sellers portion)

b. Electronic wiring fees

c. Courier and mailing fees (seller's documents only)

d. Title insurance premium (owners policy only)

e. State, county, or city tax stamps, if local law requires the seller to pay these costs

f. Homeowners warranty premium

g. Environmental hazard certification

h. Document preparation fee (seller's documents only)

i. Recording (deed only) and reconveyance fees

j. Sales commissions for real estate broker/agent services

k. Condominium transfer fee

l. [The cost of the warranty policy under section 5.6 of the Agreement]

5. Costs not listed above are ineligible and cannot be included in the Net Development Cost calculation. Ineligible costs include, but are not limited to:

a. Purchaser's general overhead.

- b Housing developer fees and/or real estate consultant fees.
- c Sales bonuses and sales incentives (other than sales commissions) for selling or listing real estate brokers/agents.
- d. Gifts to the eventual purchasers for down payment, financing or closing costs, and any other purchaser-related expenses associated with their purchase of the property.
- e. Development, maintenance and management costs related to other properties in Purchaser's inventory.
- f. Delinquent property tax penalties and interest.
- g. Mortgage payment late fees, pre-payment penalties, pay-off quote fees and fax charges.
- h. Any development costs that are paid from local, state, or Federal grant funds (including, but not limited to, HOME or CDBG funds).

EXHIBIT 5

LEAD-BASED PAINT WARNING STATEMENT

Every purchaser of any interest in residential real property on which a residential dwelling was built prior to 1978 is notified that such property may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure.

Seller's only knowledge, if any, of the presence of lead-based paint and/or lead-based paint hazards in the properties is as provided in the lead-based paint records and reports attached below. Any additional records or reports coming into Seller's possession will be attached as an exhibit to each Designation Notice.

OR

Seller has no knowledge....

Waiver

Purchaser has waived the opportunity to conduct a risk assessment or inspection for the presence of lead-based paint and/or lead based paint hazards.

EXHIBIT 6

Attach lead based paint pamphlet

EXHIBIT 8

Description of Purchaser's Lease Purchase Program accepted by HUD.

EXHIBIT 9

Notification of Anticipated Resale, Certification, and request for release of Purchaser Compliance Note and Mortgage

1. All repairs have been made and are complete as required under the Agreement, and the property is now under contract of sale with an Eligible Buyer.
2. If property is being sold to an Eligible Buyer, the Eligible Buyer's annual income is (-\$ amount.)
3. The sales closing date is scheduled for (date) at the office of (closing attorney name, contact name(s), mailing address, phone & fax numbers.)
4. The Fair Market Value of the property at the time of resale, as determined by either the homebuyer's lender's appraiser or by an FHA-roster appraiser is (\$ amount.) The Net Development Cost is (\$ amount.) The contract sales price is (\$ amount.)

The undersigned certifies that the statements and information contained herein are true and correct.

(Signature Purchaser)